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No. 85-1798

Supreme Court, U.S.
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IN THE

# Supreme Court Of The United States

OCTOBER TERM, 1986

PENNZOIL COMPANY
*Appellant,*

v.

TEXACO INC.
*Appellee.*

**ON APPEAL FROM THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT**

## AMICUS CURIAE BRIEF OF THE STATE OF ALASKA IN SUPPORT OF APPELLEE

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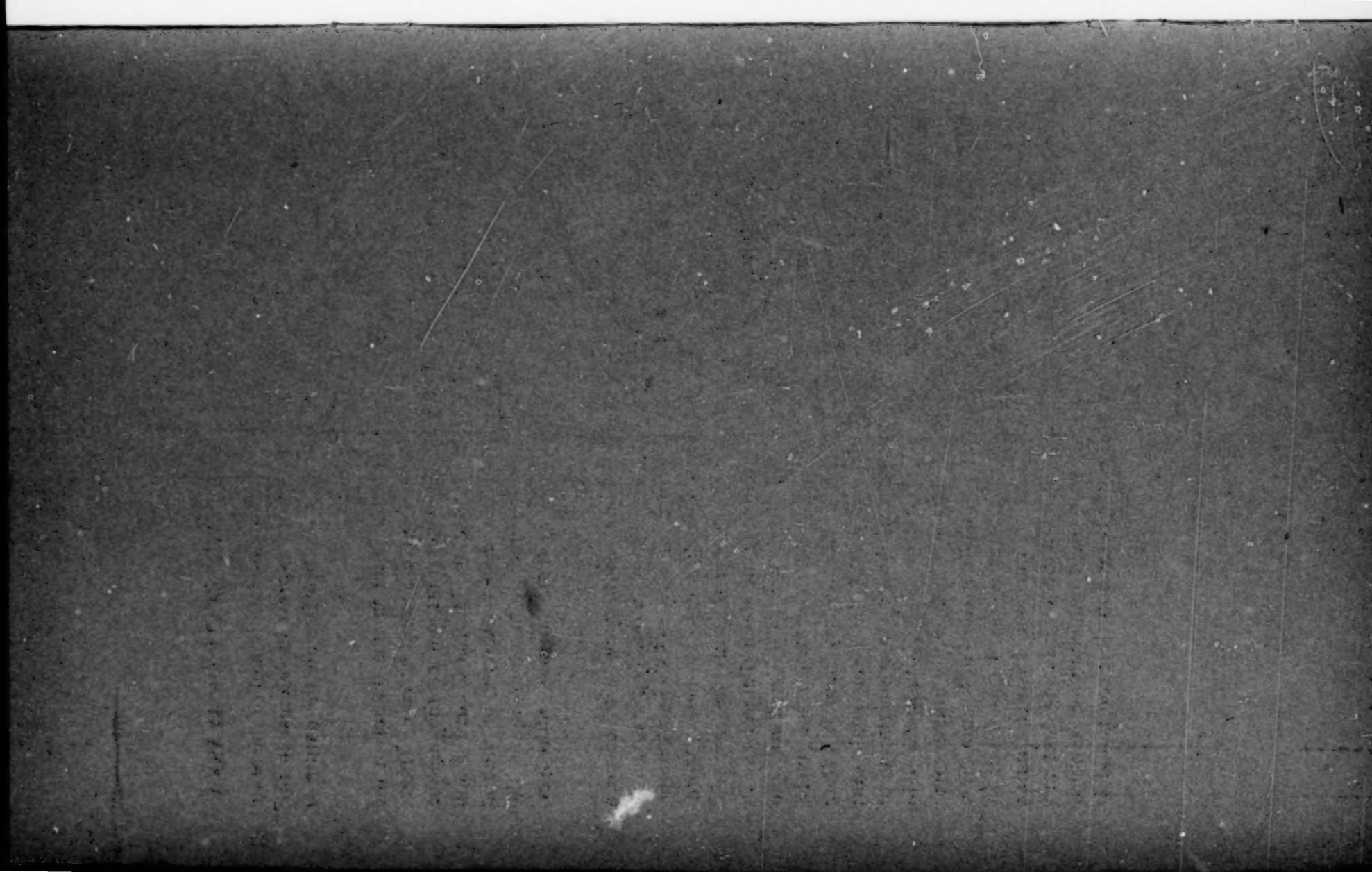

## AMICUS CURIAE BRIEF OF THE STATE OF ALASKA

This amicus curiae brief is submitted on behalf of the State of Alaska. Alaska appears here to express its interest in this case and support for Appellee, and to briefly state the nature of that interest and support.

Alaska filed an amicus curiae brief in this matter in the United States Court of Appeals for the Second Circuit. There, as here, Alaska expressed its belief that, under the unique circumstances presented by this case, the District Court's action was a modest, legitimate and necessary exercise of federal jurisdiction. The injunction furthered, rather than upset, the delicate balance of our federal system. It was, moreover, clearly in the public interest.

As a sovereign state, Alaska would view with concern actual intervention by a federal court in an ongoing state court proceeding. For the reasons articulated by the Second Circuit, however, we do not believe that such is the case here. Moreover, this litigation is unusual in that it presents the very real possibility of a serious dispute *among* the states themselves. In the Texas Court of Appeals, the states of New York and Delaware—whose commercial and corporate laws, respectively, govern this dispute—took the extraordinary step of filing amicus curiae briefs demonstrating that the Texas trial court misapplied the laws of those states. This apparent violation of both general comity principles and the Full Faith and Credit Clause of the Federal Constitution was sufficiently troublesome to prompt several other states, including Alaska, to join New York and Delaware as amicus curiae in the Texas Court of Appeals. By preserving the status quo, the District Court's injunction had the salutary effect of better insuring that this substantial interstate controversy would ultimately be resolved correctly and in due course by the Texas appellate courts and, if necessary, by this Court.

In his amicus brief to the Texas Court of Appeals, the Attorney General of New York asserted unequivocally that the trial court misapplied New York law regarding the tort of wrongful interference with contractual relations. Delaware, in turn, asserted equally unequivocally that the trial court misapplied applicable Delaware law regarding the fiduciary obligations of Getty's directors. The problem is aggravated here by the nature of the state laws at issue. New York, for example, is our nation's center of commerce, and its body of commercial law has been developed with care, based upon a breadth of experience unique to that state. In developing its case law regarding wrongful interference with contractual relations, the New York courts have been required to balance carefully the interests of free competition and contractual certainty. In turn, contracting parties—such as Texaco here—have come to rely upon the guidelines of New York law in tailoring their competitive conduct. A misapplication of New York commercial law, then, affects not only the interests of the states in the proper functioning of our federal system, but also upsets the ground rules under which our nation's commerce flows. In these special circumstances, the federal judiciary plays an appropriate institutional role in protecting those interests. *See Maryland v. Louisiana,* 451 U.S. 725, 735-45 (1981); *North Dakota v. Minnesota,* 263 U.S. 365, 372-73 (1923).

The District Court's injunction also protected Alaska's economic interest in this litigation. Alaska is heavily dependent upon the oil industry, and upon active competition within that industry. This past year, 84% of Alaska state revenues came from royalties and taxes paid by the oil industry. Moreover, as production from Prudhoe Bay declines in the coming years, Alaska will look to new discoveries of oil and gas to fill that void. The impairment of any producer's ability to aggressively explore for and develop oil and gas in Alaska will have a negative impact upon our state. And, without question, the bankruptcy or dismemberment of Texaco—the likely consequence of reversing the District Court's injunction—would lessen both existing competition and new exploration.

The interests of the states, and of the public, in affirming the decision below are overwhelming. For these reasons, the affected states themselves have taken the unusual step of assuring this Court that, under the unique and exigent circumstances of this case, their rights as sovereigns were not impaired by the injunctive relief granted and affirmed below.

For these reasons, the State of Alaska respectfully submits that the decision of the United States Court of Appeals for the Second Circuit in this matter be affirmed.

Date: November 4, 1986

Respectfully submitted,

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